

Shreveport Charter School, Inc.
Shreveport, Louisiana

Financial Statements
June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/2/11

**Shreveport Charter School, Inc.
Shreveport, Louisiana**

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Shreveport Charter School, Inc.
Shreveport, Louisiana

Statement of Financial Position
June 30, 2010

Assets	
Current assets	
Cash and cash equivalents	\$ 1,144,686
Grant receivables	574,325
Total current assets	<u>1,719,011</u>
Property and equipment	
Furniture, fixtures and equipment	59,128
Less: accumulated depreciation	(4,514)
Net property and equipment	<u>54,614</u>
Total assets	<u>\$ 1,773,625</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 182,528
Accrued expenses	368,946
Total current liabilities	<u>551,474</u>
Long-term liabilities	<u>-</u>
Total liabilities	<u>551,474</u>
Net assets	
Unrestricted	1,242,151
Temporarily restricted	-
Permanently restricted	-
Total net assets	<u>1,242,151</u>
Total liabilities and net assets	<u>\$ 1,773,625</u>

The accompanying notes are an integral part of these financial statements.

Shreveport Charter School, Inc.
Shreveport, Louisiana

Statement of Activities
for the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
State public school funding	\$ 5,704,186	\$ -	\$ -	\$ 5,704,186
Federal grants	1,235,957	-	-	1,235,957
Federal school lunch program	179,224	-	-	179,224
Other income	8,510	-	-	8,510
Total support and revenue	<u>7,127,877</u>	<u>-</u>	<u>-</u>	<u>7,127,877</u>
Expenses				
Program services				
Regular program expenditures	2,397,956	-	-	2,397,956
Special education programs	310,890	-	-	310,890
Other instructional programs	31,018	-	-	31,018
Pupil support services	135,728	-	-	135,728
Instructional staff services	119,883	-	-	119,883
School administration	744,102	-	-	744,102
Operation and maintenance of plant services	521,917	-	-	521,917
Student transportation services	324,850	-	-	324,850
Food service operations	356,665	-	-	356,665
Management and general				
Business services	908,994	-	-	908,994
General administration	24,257	-	-	24,257
Central services	5,292	-	-	5,292
Total expenses	<u>5,881,352</u>	<u>-</u>	<u>-</u>	<u>5,881,352</u>
Change in net assets	1,246,525	-	-	1,246,525
Net assets, beginning of year	(4,374)	-	-	(4,374)
Net assets, end of year	<u>\$ 1,242,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,242,151</u>

The accompanying notes are an integral part of these financial statements.

Shreveport Charter School, Inc.
Shreveport, Louisiana

Statement of Cash Flows
for the Year Ended June 30, 2010

Cash flows from operating activities	
Change in net assets	\$ 1,246,525
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	4,514
(Increase) decrease in:	
Grants receivable	(541,125)
Prepaid expenses	1,500
Increase (decrease) in:	
Accounts payable	109,528
Accrued expenses	368,946
Net cash provided by operating activities	<u>1,189,888</u>
Cash flows from investing activities	
Purchase of property and equipment	(59,128)
Net cash used in investing activities	<u>(59,128)</u>
 <i>Net increase in cash and cash equivalents</i>	 1,130,760
 Cash and cash equivalents - beginning of year	 <u>13,926</u>
Cash and cash equivalents - end of year	\$ <u><u>1,144,686</u></u>

The accompanying notes are an integral part of these financial statements.

Shreveport Charter School, Inc.
Shreveport, Louisiana

Notes to Financial Statements
June 30, 2010

Note 1 Nature of Organization and Summary of Significant Accounting Policies

Shreveport Charter School, Inc. (the School), charter holder for Linwood Public Charter School, a nonprofit organization, was incorporated on January 27, 2009. The School is an educational institution servicing grades 6-8 for residents in Caddo Parish, Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the School effective July 1, 2009, for an initial term of three years. BESE has the option to extend for an additional two year period. BESE also has the option to terminate or revoke the charter at any time if the School fails to comply with certain terms of the agreement. The charter allows for a type 5 charter to be operated in the Louisiana Recovery School District, as defined in the LA R.S. 17:3992 and 3998. Upon completion of the School's fifth year of operation, the charter contract may be renewed at the discretion of BESE pursuant to the Evaluation Framework and applicable provisions of Title 17, Chapter 42 of the Louisiana Revised Statutes.

The School entered into an education provider agreement with New Orleans Education Management LLC, a Delaware limited liability company authorized to do business in the state of Louisiana, to provide management services for a period of five years, subject to renewal of the charter.

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

The School has adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not-for-Profit Entities." Under FASB ASC 958, the School is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein, may be classified and reported as follows, as financial circumstances require:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the School for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the account and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. All significant receivables, payables and other liabilities are reflected.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit balances and represent cash available for general operating purposes. The School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Receivables

The receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts, as management believes all remaining receivables are fully collectible.

The School received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at the year end are stated at unpaid balances for expenditures incurred during the year.

Contribution and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the grant, generally corresponding to the incurring of grant related costs by the School, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. The School received \$8,882 per eligible student in attendance on October 1st, payable in monthly installments. The October 1st student count is audited by the Louisiana Department of Education. Adjustments are made in the following year.

Property and Equipment

All acquisitions of property and equipment and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. Normal building maintenance and minor equipment purchases are included as expenses of the School. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time this agreement is terminated. See Note 4.

Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from Louisiana state income taxes.

On July 1, 2009, the School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the School's income tax returns. Management evaluated the School's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance. The School is not subject to income tax examinations by the U.S. federal, state, or local tax authorities for any tax years prior to 2009.

Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense totaled \$36,669 for the year ended June 30, 2010.

Compensated Absences

Salaried non-contracted employees are provided between 10 - 15 days of paid annual sick leave, and may carry over any unused vacation time into the next year at the rate of one-half of the employees annualized accrual rate.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Concentrations and Credit Risk

The School received 80% of its total revenues from the Minimum Foundation Program. See Note 5.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and additionally under the FDIC's Transaction Account Guarantee Program (TAGP). At June 30, 2010, the School's deposits were fully insured. Unless extended, the TAGP will expire on December 31, 2010. At June 30, 2010, the School had deposits totaling \$980,926 that were insured under the TAGP.

Note 3 Grant Receivables

At June 30, 2010, grant receivables totaled \$574,325, which were for federal grants passed through the Louisiana Department of Education. The stated balances are considered fully collectible.

Note 4 Property and Equipment

All assets were acquired with Louisiana Department of Education funds and are owned by the School while used in the purpose for which it was purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Depreciation expense totaled \$4,514 for the year ended June 30, 2010.

Effective July 1, 2009, the School entered into an agreement with the Louisiana Board of Elementary and Secondary Education (BESE), which allows the School to use the facilities and its contents located at 401 West 70th Street, Shreveport, Louisiana 71106. The agreement will expire on June 30, 2012, unless the BESE grants an extension for an additional two years.

Alterations made by the School shall not diminish the value of the property at the time the alterations are approved. Any physical additions or improvements to the property will become property of the BESE. BESE may require, at the expense of the School, to remove these physical additions or improvements. Non-capital assets acquired by the School with non-public funds will remain the property of the School. Assets purchased with public funds obtained from public sources will automatically revert to BESE at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

Use of the property is not recorded as an in-kind contribution from or related rent expense to BESE. The value of the use of land and the building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in the future years has not been recorded.

Note 5 Minimum Foundation Program (MFP)

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the year ended June 30, 2010, the School recognized revenue of \$3,364,531.

The Caddo Parish School Board (CPSB) provides funding to the State of Louisiana collected from local agencies, which pass through to the School as Local MFP. Revenues received by CPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment as of June 30. For the year ended June 30, 2010, the School recognized revenue of \$2,339,655.

Subsequent to year-end, there was a final enrollment audit performed for enrollment as of October 1, 2009, resulting in a reduction of 14 pupils in the previously reported pupil count. MFP funding for the 2010/2011 school year will be reduced \$124,348 as a result of this audit.

Note 6 Risk Management

The School is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the initial period ended June 30, 2010.

Note 7 Prior Period Balances

The School recorded various financial transactions during their startup phase prior to July 1, 2009. Summarized balances for the transactions incurred are listed below:

Cash	\$	13,926	
Grant receivables		33,200	
Prepaid expenses		1,500	
Due to management company	(53,000)
Federal grant revenue	(33,200)
Interest income	(9)
Expenses		<u>37,583</u>	
	\$	<u>-</u>	

Note 8 Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 31, 2010, and determined that no events occurred that require disclosure other than the MFP final enrollment audit in Note 5. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Supplemental Information

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Education</u>			
Passed through Louisiana Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A090018	\$ 284,545
Title I Grants to Local Educational Agencies	84.010	S010A080018	10,839
Improving Teacher Quality State Grants	84.367	S367A090017	46,437
Special Education - Grants to States	84.027	H027A090033	86,776
Safe and Drug-Free Schools and Communities-State Grants	84.186	Q186A090019	557
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090018A	237,493
Special Education Grants to States, Recovery Act	84.391	H391A090033	97,660
State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	n/a	112,955
Charter School Programs	84.282		358,695
<u>United States Department of Agriculture</u>			
Passed through Louisiana Department of Education			
National School Lunch Program	10.555	n/a	<u>179,224</u>
			\$ <u>1,415,181</u>

See Independent Auditor's Report.

**Shreveport Charter School, Inc.
Shreveport, Louisiana**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010**

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Shreveport Charter School, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**Shreveport Charter School, Inc.
Shreveport, Louisiana**

**Schedule of Board of Directors
for the Year Ended June 30, 2010**

<u>Board Member</u>	<u>Compensation</u>
Gard Wayt 3772 Youree Drive Shreveport, LA 71105 318-222-1234	\$-0-
David Barr 6702 Marina Bay Drive Shreveport, LA 71119 318-628-5925	\$-0-
Travis Morehart 1215 Hawn Avenue Shreveport, LA 71107 318-222-5415	\$-0-
Keidra Phillips-Burrell 201 Eagle Bend Way Shreveport, LA 71115 318-676-7580	\$-0-
Willie Phillips 3712 Lakeshore Drive Shreveport, LA 71109 318-638-4100	\$-0-
Willie Caldwell Route 1, Box 231-D Coushatta, LA 71019 318-932-0802	\$-0-
Shannen Hicks 110 Holcomb Drive Shreveport, LA 71103 318-677-2504	\$-0-

See Independent Auditor's Report.

Independent Auditor's Report

To the Board of Directors
Shreveport Charter School, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Shreveport Charter School, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Shreveport Charter School, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Charter School, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2010, on our consideration of Shreveport Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Performance and Statistical Data included as Schedules 1 through 9, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Shreveport Charter School, Inc. taken as a whole. The accompanying schedule of board of directors is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
December 31, 2010

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Directors
Shreveport Charter School, Inc.
Shreveport, Louisiana

We have audited the financial statements of Shreveport Charter School, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shreveport Charter School, Inc.'s internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shreveport Charter School, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and others deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2010-1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2010-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport Charter School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the Organization, federal awarding agencies, Louisiana Legislative Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
December 31, 2010

**Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Shreveport Charter School, Inc.
Shreveport, Louisiana

Compliance

We have audited Shreveport Charter School, Inc.'s compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shreveport Charter School, Inc.'s major federal programs for the year ended June 30, 2010. Shreveport Charter School, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shreveport Charter School, Inc.'s management. Our responsibility is to express an opinion on Shreveport Charter School, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shreveport Charter School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shreveport Charter School, Inc.'s compliance with those requirements.

In our opinion, Shreveport Charter School, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and responses as Finding 2010-3.

Internal Control Over Compliance

Management of Shreveport Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shreveport Charter School, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shreveport Charter School, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in accompanying schedule and responses as Finding 2010-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Shreveport Charter School, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Shreveport Charter School, Inc.'s responses and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the board of directors, management, others within the Organization, federal awarding agencies, Louisiana Legislative Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

ROBERTS CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
December 31, 2010

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule of Findings and Responses
June 30, 2010

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Compliance and internal control over financial reporting:

Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.389	Title I Grants to Local Educational Agencies, Recovery Act
84.282	Charter School Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards*

Current Year Findings and Responses

Finding 2010-1 Significant Adjustment to Financial Statements and Schedule of Expenditures of Federal Awards (SEFA)

Criteria of Specific Requirement: The School is responsible for providing accurate and timely financial information including providing an accurate accounting of federal awards expended.

Type of Finding: Material Weakness

Condition: Management did not provide accurate and timely financial information including accurately preparing the SEFA.

Effect: The financial statements required significant adjustments, the aggregate of which were material to the financial statements as a whole. Significant expenditures were not included on the SEFA prepared by employees, and significant revisions were necessary.

Cause: There appeared to be a disconnect between the federal grant billers and those responsible for adjusting the financial records of the School. Management did not have a process to ensure that the grant billers and the business office were effectively communicating in order to properly ensure federal revenues and expenditures were recorded to the correct general ledger account. In addition, employees did not receive training necessary to accurately prepare the SEFA.

Recommendation: We recommend that management develop a process where the business manager and the grant billers will work more closely prior to the preparation of grant reimbursement requests. We also recommend management provide additional training to staff to enable them to function more effectively in financial reporting and in the accumulation of federal expenditures information.

Management's Corrective Action Plan: Management will continue to work with the closest scrutiny in an attempt to guarantee the grant billers will post proper amounts of receivables and revenues. Adjustments will be made and maintained. Going forward, the business manager will approve all reimbursement requests prior to submission to state. Communication is essential and will be taken with the highest regard.

Finding 2010-2 Controls over Cash Disbursements

Criteria of Specific Requirement: OMB Cost Principles require expenses to be properly supported with adequate and sufficient documentation.

Type of Finding: Significant deficiency

Condition: During the startup period of the School, we noted there were no established controls followed over cash disbursements. We noted various debit card purchases and manual checks made prior to having employees in place and trained over proper procedures that did not have supporting documentation.

Effect: The School incurred expenses that were not adequately supported with sufficient documentation.

Cause: Management was required to incur expenses related to student recruitment and community outreach, as well as incur other expenses prior to the establishment of proper controls over disbursements and the placement of qualified staff in the financial reporting department.

Recommendation: We recommend established control procedures be consistently followed for all disbursement of the School.

Management's Corrective Action Plan: Management concurs that some purchases were made during the startup period that were not supported with detailed documentation. Management feels these items are limited and do not suggest any misappropriation of funds. The purchasing policy of the School is now in full effect and no disbursements are processed without proper documentation and approval by the School director and business manager. Additionally, debit cards are extinct for this organization.

Section III – Federal Award Findings and Questioned Costs

Finding 2010-3 Semi-Annual Certifications of Teachers

Federal Program and Specific Federal Award Identification: This finding relates to all federal programs from the U.S. Department of Education, passed through the Louisiana Department of Education, with the exception of the Charter School Program, CFDA #84.282.

Entity-Wide or Program/ Department Specific: This applies to the federal programs noted above.

Criteria or Specific Requirement: OMB Circular A-87, Attachment B, paragraph 8h(3) indicates that salaries and wages for employees who work solely on a single federal award will be supported by certifications prepared at least semi-annually and signed by both the employee and the supervisor.

Type of Finding: Significant deficiency

Condition: Twelve employees selected in the course of our testing of grant compliance did not have semi-annual certifications on file for the 2009-2010 school year.

Effect: The School was not in compliance with the provisions of OMB Circular A-87 noted above.

Cause: The grant administrators were not aware of the semi-annual certification requirement.

Recommendation: We recommend management become familiar with all requirements of OMB Circular A-87 and ensure the certifications are prepared.

Management's Corrective Action Plan: Management concurs with this finding due to a lack of knowledge. Since that time, grant administrators are vigilant that employees paid with federal funds must be supported by certifications prepared semi-annually. Certifications must be signed by employees and supervisors.

Management is now knowledgeable with all requirements as stipulated in OMB Circular A-87 and will be in compliance. Reports will be generated by December 31st and June 30th or the last working day for involved employees.

Prior Year Findings

N/A

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

To the Board of Directors
Shreveport Charter School, Inc.
Shreveport, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Shreveport Charter School, Inc. and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Shreveport Charter School, Inc. and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings: None

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school supporting payroll records as of October 1.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

Findings: We found one exception where one teacher had a masters degree, but was shown as having a bachelors degree on the schedule provided by the School.

Corrective Action: A list of teachers will be generated from the PEP generated data *(which will reflect the teacher's credentials)*. This list will be carefully reviewed upon receipt and will be updated or corrected as necessary.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings: None

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings: None

Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Findings: None

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Findings: None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Finding: None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: None

Graduation Exit Examination (GEE) (Schedule 8)

11. Not applicable.

iLEAP Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: None

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the School, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

**A Corporation of Certified
Public Accountants
December 31, 2010**

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedules Required by Louisiana State Law
(R.S. 24:514 – Performance and Statistical Data)
As of and for the Year ended June 30, 2010

Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 – Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 – Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 – Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals and full time teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 – Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 – Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes one year of data.

Schedule 8 – Graduation Exit Exam

Not Applicable

Schedule 9 – ILEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes one year of data.

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 1

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
for the Year Ended June 30, 2010

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,023,407	
Other Instructional Staff Activities	47,948	
Instructional Staff Employee Benefits	235,629	
Purchased Professional and Technical Services	343,897	
Instruction Materials and Supplies	145,599	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u>\$ 1,796,477</u>	

Other Instructional Activities 3,408

Pupil Support Services	134,874	
Less: Equipment for Pupil Support Services	<u>-</u>	
Net Pupil Support Services		134,874

Instructional Staff Services	175,322	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instruction Staff Services		175,322

School Administration	691,518	
Less: Equipment for School Administration	<u>18,778</u>	
Net School Administration		<u>672,740</u>

Total General Fund Instructional Expenditures \$ 2,782,819

Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000) \$ 18,778

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes other than School Taxes	-
Sales and Use Taxes	<u>-</u>
Total local taxation Revenue	<u>\$ -</u>

Local earnings on Investment in Real Property:

Earnings from the 18th Section property	\$ -
Earnings from Other Real Property	<u>-</u>
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other taxes	-
Revenue Sharing - Excess portion	-
Other Revenue in Lieu of Taxes	<u>-</u>
Total State Revenue in Lieu of Taxes	<u>\$ -</u>

Nonpublic Textbook Revenue	<u>\$ -</u>
Non Public Transportation Revenue	<u>\$ -</u>

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 2

Education Levels of Public School Staff
As of October 1, 2009

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	0	0%	0	0%	0	0%
Bachelor's Degree	8	73%	20	80%	0	0%	0	0%
Master's Degree	0	0%	5	20%	0	0%	1	100%
Master's Degree +30	3	27%	0	0%	0	0%	0	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%
Ph. D. or Ed. D.	0	0%	0	0%	0	0%	0	0%
Total	11	100%	25	100%	0	0%	1	100%

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 3

**Number and Type of Public Schools
for the Year Ended June 30, 2010**

Type	Number
Elementary	
Middle/Jr. High	1
Secondary	
Combination	
Total	1

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 4

Experience of Public Principals, Assistant Principals and Full-Time Classroom Teachers
As of October 1, 2009

	0-1 Yr.	2-3 Yrs	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals								
Principals					1			1
Classroom teachers	19	4	9	1	1	1	1	36
Total	19	4	9	1	2	1	1	37

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 5

Public School Staff Data
for the Year Ended June 30, 2010

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	43,277.09	43,277.09
Average Classroom Teachers' Salary Excluding Extra Compensation	41,533.17	41,533.17
Number of Teacher Full-Time Equivalents (FTEs) used in Computation of Average Salaries	31.7558	31.7558

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 6

Class Size Characteristics
As of October 1, 2009

School Type	Class Size Range							
	1-20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Middle/Jr. High	36%	112	23%	70	29%	89	12%	37
Middle/ Jr. High Activity Classes	65%	45	14%	10	15%	10	6%	4

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 7

Louisiana Educational Assessment Program (LEAP)
for the Year Ended June 30, 2010

District Achievement Level Results	English Language Arts		Mathematics	
	2010		2010	
Students	Number	Percent	Number	Percent
Grade 8				
Advanced	0	0%	0	0%
Mastery	3	2%	0	0%
Basic	28	22%	35	27%
Approaching basic	64	50%	39	31%
Unsatisfactory	32	26%	54	42%
Total	127	100%	128	100%

District Achievement Level Results	Science		Social Studies	
	2010		2010	
Students	Number	Percent	Number	Percent
Grade 8				
Advanced	0	0%	0	0%
Mastery	1	1%	0	0%
Basic	14	11%	34	27%
Approaching basic	53	41%	28	22%
Unsatisfactory	80	47%	68	51%
Total	128	100%	128	100%

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 8

**Graduation Exit Exam
for the Year Ended June 30, 2010**

The school does not have grades 10 or 11; therefore, this schedule does not apply.

Shreveport Charter School, Inc.
Shreveport, Louisiana

Schedule 9

iLEAP Test Results
for the Year Ended June 30, 2010

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0%	0	0%	0	0%	2	1%
Mastery	4	2%	4	2%	5	2%	5	2%
Basic	72	33%	78	37%	55	26%	40	19%
Approaching basic	72	34%	51	24%	95	45%	62	29%
Unsatisfactory	67	31%	77	37%	58	27%	103	49%
Total	215	100%	210	100%	213	100%	212	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	6	4%	5	3%	1	1%	1	0%
Basic	61	39%	63	39%	37	23%	57	36%
Approaching basic	49	31%	41	26%	66	41%	41	26%
Unsatisfactory	42	26%	52	32%	65	35%	60	38%
Total	158	100%	161	100%	159	100%	158	100%